

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1-2
FOC RESPONSE	2
FINDINGS AND RECOMMENDATION	
Contract Referee and Bank Reconciliation Costs	2
Switchboard Costs	2
Service Fees – Custody & Visitation Expense Overstated	3
Court Costs Income not Reported	3
2000 Indirect Cost Plan Overstated Costs	3-4
Recommendations	4
SCHEDULE A	5

INTRODUCTION

The Crawford, Kalkaska, Otsego Counties' Combined Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Crawford, Kalkaska, Otsego Counties' Combined FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. The Crawford, Kalkaska, Otsego Counties' Combined FOC billed the FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Crawford, Kalkaska, Otsego Counties' Combined FOC for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Crawford, Kalkaska, Otsego Counties' Combined FOC for the period October 1, 2000 through September 30, 2001. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Crawford, Kalkaska, Otsego Counties' Combined FOC overbilled the FIA for some line items. The State share of the amount overbilled is \$9,216. (See Schedule A.) We also found that the costs allocated to the FOC in Otsego County's indirect cost plans were overstated and could result in overbillings for contract years 10/01/2001-9/30/2002 and 10/01/2002-9/30/2003.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$9,216 from the Crawford, Kalkaska, Otsego Counties' Combined FOC. Our report also recommends the Family Independence Services Administration

require Otsego County to amend the 2000 indirect cost plan, to remove overstated costs, and amend the related billings.

FOC RESPONSE

The FOC accepted the audit findings and indicated the 2000 indirect cost plan will be amended.

FINDINGS

Contract Referee and Bank Reconciliation Costs

1. The Crawford, Kalkaska, Otsego Counties' Combined FOC overbilled the FIA \$7,696 for its contract referee and bank reconciliation costs. The contract referee and bank reconciliation costs were billed each month (other than July 2001) as part of personnel costs. In June and August of 2001 the same costs were also billed as part of other direct costs. The duplicate costs included in the other direct costs were disallowed. In July the referee costs billed as part of other direct were overstated. They were overstated because the total cost was billed rather than the IV-D amount. (See Schedule A.)

Switchboard Costs

2. The Crawford, Kalkaska, Otsego Counties' Combined FOC overbilled the FIA \$2,145 for switchboard costs. Switchboard costs were allocated to the FOC in the county indirect cost plan and were billed as part of central services. The switchboard costs included the telephone expense of other county departments. The FOC was directly billed for its telephone expense and therefore it should not share in the telephone expense of other county departments. The telephone expense of the other county departments was removed from the central services costs. (See Schedule A.)

Service Fees – Custody & Visitation Expense Overstated

3. The Crawford, Kalkaska, Otsego Counties' Combined FOC underreported, to FIA, service fees of \$3,250. The service fees were underreported because custody & visitation expenses were overstated. The FOC, in accordance with FOC Letter 99-027 chose to use the service fees to first offset custody & visitation expenses and only report service fees if there was an excess. The custody & visitation expenses used in the computation were overstated, therefore the excess service fees were understated. (See Schedule A.)

Court Costs Income not Reported

4. The Crawford, Kalkaska, Otsego Counties' Combined FOC underreported, to FIA, other income of \$872. The FOC income from the recovery of court costs was not offset against the costs billed. The Federal Office of Management and Budget Circular No. A-87 (A-87), Attachment A, C.1(i) requires costs to be net of applicable credits as described in C.4. (See Schedule A.)

2000 Indirect Cost Plan Overstated Costs

5. The 2000 (used to bill 2002) Otsego County indirect cost plan allocated switchboard costs to the FOC. As indicated in finding #2 above, the telephone cost of the other County departments should be removed from the cost allocated to the FOC. The 2000 Otsego County indirect cost plan also allocated general liability insurance costs to the FOC. The county received a general liability insurance refund in 2000, but the refund was not offset against the costs included in the indirect cost plan. A-87, Attachment A, C.1(i) requires costs to be net of applicable credits as described in C.4. The costs billed for the audit period are not overstated, therefore there is not a current adjustment, but the costs billed for

contract years 10/01/2001-9/30/2002 and 10/01/2002-9/30/2003 billed costs would be overstated.

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$9,216 from the Crawford, Kalkaska, Otsego Counties' Combined FOC.

WE ALSO RECOMMEND the Family Independence Services Administration require Otsego County to amend the 2000 indirect cost plans, to remove the overstated costs, and amend the related billings.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	Due (State) County
1	Other Direct	10/1/2000-9/30/2001			\$ (7,696)	
2	Central Services	10/1/2000-9/30/2001	(2,215)	96.86%	\$ (2,145)	
3	Service Fees	10/1/2000-9/30/2001			\$ (3,250)	
4	Other Income	10/1/2000-9/30/2001	(900)	96.86%	\$ (872)	
Grand Total of the IV-D Audit Adjustments					<u>\$ (13,963)</u>	
Calculation of the Payment Due the (State) County						
					Total	
Audited IV-D Amount					761,385	
Billed IV-D Amount					<u>(775,349)</u>	
IV-D Audit Adjustment Due (State) County					(13,963)	
State Share %					<u>66.00%</u>	
						<u><u>(9,216)</u></u>